

## **Naval Weapons Station Earle Laurelwood Housing**

### **BACKGROUND**

During the 1980's, the U.S. Navy began expanding its force, including increasing its inventory of ships and personnel. These ships would be homeported and personnel assigned strategically nationwide. As part of this Homeport Concept, Naval Weapons Station Earle had a demonstrated need for 500 family homes for personnel associated with the build-up of auxiliary ships at the station. As a result Congress urged the Navy to look for alternative methods of financing this need. In order to maximize federal dollars on mission essential needs, Navy leadership decided to utilize Section 801 of the Fiscal Year 1984 Defense Authorization Bill, which allowed for private development of Navy housing. Under this provision, the Navy decided to have 300 homes constructed with no cost to the taxpayer. The remaining 200 homes would be constructed under the Military Construction (MILCON) program.

In 1988, a 52-year lease agreement was executed between the Navy and the developer, Laurelwood, Inc. The agreement, in effect, consisted of two phases: an Exclusive Military Use Phase in which the Navy guaranteed leased all 300 units through the year 2010. Phase Two (non-guaranteed period) begins in 2010 where the developer would be free to rent any units to the general public.

During the exclusive military use phase (1988 – 2010) only military and their dependants are allowed to occupy the Laurelwood homes, with the Navy guaranteeing rent payments to the developer for the occupancy of all 300 units. The lease requires the Navy to provide "unimpeded access" to the units at the start of the Option Phase (2010), to allow the developer to make the units available to the public. However, the Navy's obligation to provide access to the Laurelwood housing so that the developer can make it available to the public, is not related to current housing needs at NWS Earle, but rather to the Navy's legal obligation under the lease agreements. The entire 801 Housing Program expires in the year 2040 at which time the lease expires and the developer is required to demolish the 300 housing units.

In the last decade, the needs of the military changed and the Navy began downsizing. Subsequently, Naval Weapons Station Earle began losing some personnel. As the base population began to decrease, so did the need for housing.

### **Frequently Asked Questions and Answers:**

#### **Q1 Why was the contract initiated, and what was its significance to the community?**

A1 Based on the need to build 500 houses at Naval Weapons Station, Earle to support the increased ships homeported there in the 1980s, the Navy contracted with a developer to build 300 of these homes. The contract was designed using Section 801 of the FY 1984 Defense Authorization Bill. This allowed the Navy to find a developer to actually build and maintain the houses rather than using Military Construction dollars to do this. In this particular case, the land was located on the Weapons Station, so no land needed to be acquired. This 52-year lease agreement was initiated in 1988 and the agreement consisted of two phases: an Exclusive Military Use Phase in which the Navy leased all 300 units through the year 2010. Phase Two (non-guaranteed period) begins in 2010 where the developer would be free to rent any units to the general public.

#### **Q2 Was there financial savings for the military and has that changed? Is the Navy currently losing money on the housing because there is only 5 percent occupied? How much money can be saved by opening the housing up to civilians?**

A2 Privatization continues to save the Navy money. The Navy has privatized services like utilities and housing to reduce our facilities payroll...things that are not a core mission to the Navy.

The Navy did not have to use military construction money to finance these homes, because the housing units were funded and built by the developer. Plus, there were no monies spent on real estate purchases, because the land was already located within the boundaries of the weapons station. When fully occupied by military personnel, the rent for the housing was offset by the member's housing allowance.

However, and as stated in the lease, the Navy currently compensates the developer for any unoccupied housing, which currently amounts to about \$3.5 million annually. During Phase One of the contract, the Navy has guaranteed 100% occupancy of the units.

At Phase Two, which begins in 2010, the developer will be allowed to rent the units to civilians. The Navy's lease of the units ends at that time and we will no longer be responsible to compensate the developer for rental of the housing. The developer will have to pay the Navy money each year to lease the land upon which the housing is located.

**Q3 At its peak, there were 300 children going to Tinton Falls Schools (K-8), when did that number change and why?**

A3 In the late 1990's, there were over 1,800 active duty personnel assigned to Naval Weapons Earle. Many of them lived in our housing area (approx 540 housing units).

The number of school aged children who would have attended Tinton Falls Schools was much higher – even more than the year 2000, which our school enrollment records show at 370.

Within the last decade, the Navy has downsized its force strength, including operating units and personnel. Our number of active duty personnel assigned to the base today is around 250.

**Q4 What is the motivation to having civilians live in the 801 housing and has the Navy considered only opening up the housing to retired military personnel or to seniors in general?**

A4 The Navy will continue to honor its contractual obligations with the developer. In accordance with this contract, the actual housing units are owned by the developer and in 2010 the developer has the right to rent units to civilians. This will also open the door to affordable housing for surrounding residents.

**Q5 What are the security concerns and how will the Navy address these concerns?**

A5 NWS Earle is committed to maintaining the highest degree of base security, regardless of who occupies Laurelwood housing. All appropriate security measures, including building any necessary fencing, would be installed, implemented, and integrated to maintain maximum force protection levels, prior to any civilians being granted residential status in the housing area.

**Q6 Is this contract between the Navy and a developer uncommon?**

A6 801 housing is not uncommon in the Navy.

The fiscal year 1984 Military Construction Authorization Act (Public Law 98-115, Section 801) authorized a program for build-to-lease family housing projects. Since the program's inception, Congress has authorized 19,500 family housing units under Section 801 for all services. The Navy has approximately 2,400 units under Section 801 Housing throughout the Navy.

Section 801 is a housing construction program and an early version of Public/Private Venture, which began in the late 1990's. The Navy has entered into PPV's across the country.

Privatized housing is also referred to as Public/Private Venture (PPV) housing in the Navy. PPV housing is owned by a private entity and governed by a business agreement in which the Navy has limited rights & responsibilities. The private entity is entirely responsible for the construction, renovation, maintenance and day-to-day management of the housing. PPV housing may be located on or off government property and may be former military housing.

Privatized housing offers several advantages over traditional military housing:

1. It relies on the private sector to provide housing services versus duplicating this function within the Navy and allows the Navy to focus on its core mission requirements.
2. It reduces reliability on annual Family Housing funding appropriations, which historically have not kept pace with the funding required to maintain our Navy housing.
3. It attracts private investors to finance housing construction, renovations and maintenance which allows the Navy to reduce housing deficits, upgrade aging homes, and perform needed maintenance much quicker than through annual military family housing appropriations.

**Q7 Will local citizens be given the opportunity to voice their concerns and opinions?**

A7 Keeping the community involved in this process is important. We want to continue the good relationship we have with our neighbors...that's critical. There will be many opportunities for continued discussions with the community as 2010 approaches. There are processes to ensure that we review and identify the environmental, economic, security and ecological issues...and that's what we will do.

**Q8 What is the difference between 801 and PPV Housing?**

A8 801 housing is rented from the owner by the Government. The military member (occupant) enters and takes possession under an agreement between the Navy and the occupant.

PPV housing is rented from the owner by the occupant. The occupant enters and takes possession under an agreement between the owner of the housing and the occupant.

Navy's participation in the ownership corporation, usually a Limited Liability Corporation (LLC), ensures that the agreement between the owner and the occupant of PPV housing is appropriate and standard.

As to the occupant's housing allowance, there is a nuance of difference. No housing allowance is paid to the occupant of 801 housing. The entire housing allowance of the occupant of PPV housing is allotted to the owner of the housing, as payment required by the agreement between the LLC owner and the occupant.